

AMENDED IN SENATE JULY 8, 1996
AMENDED IN ASSEMBLY MAY 23, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

ASSEMBLY BILL

No. 3499

**Introduced by ~~Committee on Budget (Miller (Chairman),~~
~~Alby, Baugh, Cunneen, Harvey, Hawkins, Kaloogian,~~
~~Knowles, Kuykendall, Morrow, Olberg, and Richter)~~
Assembly Member Pringle, Senators Lockyer and Hurtt,
*and Assembly Member Katz***

**(Coauthors: *Assembly Members Ackerman, Aguiar, Alby,*
Alpert, Baca, Baldwin, Battin, Baugh, Boland, Bordonaro,
Bowen, Bowler, Brewer, Brown, Brulte, Caldera, Cannella,
Conroy, Cunneen, Davis, Figueroa, Firestone, Frusetta,
Goldsmith, Granlund, Harvey, Hawkins, Hoge, House,
Kaloogian, Knight, Knowles, Kuykendall, Machado,
Margett, McPherson, Miller, Morrissey, Morrow, Kevin
Murray, Napolitano, Olberg, Poochigian, Rainey, Richter,
Rogan, Setencich, Speier, Takasugi, Thompson, Weggeland,
*and Woods)***

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*Thompson)***

April 10, 1996

~~An act relating to taxation, and declaring the urgency~~
~~thereof, to take effect immediately. to amend Sections 23151~~
~~and 23455 of the Revenue and Taxation Code, relating to~~
~~taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 3499, as amended, ~~Budget Committee Pringle. Personal income taxes: renter's tax credit Bank and corporation taxes: rates: budget implementation.~~

The Bank and Corporation Tax Law provides that for calendar or fiscal years ending in 1987 or thereafter, corporations other than financial corporations shall annually pay to the state a franchise or income tax computed at the rate of 9.3%.

This bill would provide that for any income year beginning on or after January 1, 1997, the franchise or income tax rate shall be 8.84%.

The Bank and Corporation Tax Law provides for the levy of an alternative minimum tax in conformity with federal law, subject to certain modifications that include a tentative minimum tax. The Bank and Corporation Tax Law imposes a tentative minimum tax rate of 7%.

This bill would reduce that tentative minimum tax rate to 6.65% for income years beginning on or after January 1, 1997.

This bill would take effect immediately as a tax levy.

~~The Personal Income Tax Law imposes specified taxes on individuals, estates, trusts, and partnerships, and authorizes various credits against the tax imposed by that law, including a renter's credit.~~

~~This bill would state the intent of the Legislature to make the necessary statutory changes to implement the Budget Act of 1996 relative to the state renter's tax credit.~~

~~This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote: $\frac{2}{3}$ majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. It is the intent of the Legislature in~~
 2 ~~enacting this act to make the necessary statutory changes~~
 3 ~~to implement the Budget Act of 1996 relative to the state~~
 4 ~~renter's tax credit.~~

5 ~~SEC. 2. This act is an urgency statute necessary for the~~
 6 ~~immediate preservation of the public peace, health, or~~

~~safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:~~

~~In order to make the necessary statutory changes to implement the Budget Act of 1996 at the earliest possible time, it is necessary that this act take effect immediately.~~

SECTION 1. Section 23151 of the Revenue and Taxation Code is amended to read:

23151. (a) With the exception of financial corporations, every corporation doing business within the limits of this state and not expressly exempted from taxation by the provisions of the Constitution of this state or by this part, shall annually pay to the state, for the privilege of exercising its corporate franchises within this state, a tax according to or measured by its net income, to be computed at the rate of 7.6 percent upon the basis of its net income for the next preceding income year, or if greater, the minimum tax specified in Section 23153.

(b) For calendar or fiscal years ending after June 30, 1973, the rate of tax shall be 9 percent instead of 7.6 percent as provided by subdivision (a).

(c) For calendar or fiscal years ending in 1980 to 1986, inclusive, the rate of tax shall be 9.6 percent.

(d) For calendar or fiscal years ending in 1987 ~~and thereafter, to 1996, inclusive, and for any income year beginning before January 1, 1997,~~ the tax rate shall be 9.3 percent.

(e) *For any income year beginning on or after January 1, 1997, the tax rate shall be 8.84 percent. The change in rate provided in this subdivision shall be made without proration otherwise required by Section 24251.*

SEC. 2. Section 23455 of the Revenue and Taxation Code is amended to read:

23455. For purposes of this part, Section 55 of the Internal Revenue Code is modified as follows:

(a) Section 55(b)(1) of the Internal Revenue Code, relating to tentative minimum tax, is modified by requiring the tentative minimum tax for the taxable year to be imposed as follows:

1 (1) With respect to corporations subject to tax under
2 Chapter 2 (commencing with Section 23101), other than
3 financial corporations, according to or measured by net
4 income, for the privilege of doing business within this
5 state, at a rate of 7 percent upon the basis of so much of
6 the alternative minimum taxable income for the taxable
7 year as exceeds the exemption amount.

8 (2) With respect to corporations subject to tax under
9 Chapter 3 (commencing with Section 23501), on net
10 income from sources within this state, at a rate of 7
11 percent upon the basis of so much of the alternative
12 minimum taxable income for the taxable year as exceeds
13 the exemption amount.

14 (3) With respect to corporations subject to tax under
15 Article 2 of Chapter 4 (commencing with Section 23731),
16 on the unrelated business income from sources within this
17 state, at a rate of 7 percent upon the basis of so much of
18 the alternative taxable income for the taxable year as
19 exceeds the exemption amount.

20 (4) With respect to banks subject to tax under Section
21 23181, according to or measured by net income, for the
22 privilege of doing business within this state, in an amount
23 equal to the sum of the following:

24 (A) At a rate of 7 percent upon the basis of so much of
25 the alternative minimum taxable income as exceeds the
26 exemption amount,~~and~~.

27 (B) At the rate determined under Section 23186, less
28 the rate prescribed by Section 23151, upon the basis of net
29 income for the taxable year.

30 (5) With respect to financial corporations subject to
31 tax under Section 23183, according to or measured by net
32 income, for the privilege of doing business within this
33 state, in an amount equal to the sum of the following:

34 (A) At a rate of 7 percent upon the basis of so much of
35 the alternative minimum taxable income as exceeds the
36 exemption amount,~~and~~.

37 (B) At the rate determined under Section 23186, less
38 the rate prescribed by Section 23151, upon the basis of net
39 income for the taxable year. The offset prescribed by
40 Section 23184 shall be applied to the tentative minimum



1 tax in the same manner and to the same extent as that
2 offset is applied to the tax imposed under Chapter 2
3 (commencing with Section 23101).

4 (b) Section 55(b)(2) of the Internal Revenue Code,
5 relating to the definition of alternative minimum taxable
6 income, is modified as follows:

7 (1) For corporations whose net income is determined
8 under Chapter 17 (commencing with Section 25101),
9 alternative minimum taxable income shall be allocated
10 and apportioned in the same manner as net income is
11 allocated and apportioned for purposes of the regular tax.

12 (2) With respect to taxpayers subject to Article 4
13 (commencing with Section 23221) of Chapter 2, Articles
14 4 (commencing with Section 23221) to 9 (commencing
15 with Section 23361), inclusive, shall apply to the tax
16 imposed by this section except that Section 23221 shall not
17 apply.

18 (3) For purposes of computing the alternative
19 minimum tax for taxable years in which a taxpayer
20 commenced doing business, dissolves, withdraws, or
21 ceases doing business, Sections 18601, 23151, 23151.1,
22 23151.2, 23181, 23183, 23183.1, 23183.2, 23201 to 23204,
23 inclusive, 23222 to 23224.5, inclusive, 23282, 23332.5, and
24 23504 shall be applied with due regard for the rate and
25 alternative minimum taxable income prescribed by this
26 chapter.

27 (c) Section 55(c) of the Internal Revenue Code,
28 relating to the definition of regular tax, is modified to
29 read:

30 (1) For purposes of this chapter, the term “regular
31 tax” means the amount of tax imposed under Chapter 2
32 (commencing with Section 23101) or Chapter 3
33 (commencing with Section 23501) or Article 2
34 (commencing with Section 23731) of Chapter 4, but does
35 not include any amount imposed under paragraph (1) of
36 subdivision (e) of Section 24667 or paragraph (2) of
37 subdivision (f) of Section 24667.

38 (2) The tax specified in paragraph (1) shall be the
39 amount determined prior to reduction by any credits
40 against the tax.

1 (d) *The rate of 7 percent prescribed in subdivision (a)*
2 *shall be 6.65 percent for any income year beginning on or*
3 *after January 1, 1997. The change in rate provided in this*
4 *subdivision shall be made without proration otherwise*
5 *required by Section 24251.*

6 SEC. 3. *This act provides for a tax levy within the*
7 *meaning of Article IV of the Constitution and shall go into*
8 *immediate effect.*

